

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 EB-07 AGR-05 CIAE-00 DODE-00

PM-03 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 AID-05 CIEP-01 TRSE-00 STR-04

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P R 201725Z JUN 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 8401

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

USCINCSO CZ

C O N F I D E N T I A L SAN SALVADOR 2456

EO 11652: GDS

TAGS: ES BOIS ETRD EPAP PGOV PINT

SUBJ: GRAIN SCANDAL SURFACES IN PRESS

USCINCSO FOR POLAD

1. SUMMARY: A GRAIN SALE SCANDAL INVOLVING THE GOES PURCHASE OF CORN FROM THE KANSAS GRAIN CO., USA, BECAME PUBLIC KNOWLEDGE ON JUNE 18. THE FIRST NEWSPAPER STORY CLAIMED THAT GUSTAVO RUDOLFO CANAS, MANAGING DIRECTOR OF THE GOES PURCHASING AGENCY (IRA) HAD RESIGNED. THE PRESS LINKED HIS RESIGNATION TO A US COURT REVELATION THAT A HIGH IRA OFFICER HAD PURPORTEDLY ACCEPTED A BRIBE FROM KANSAS GRAIN CO. NEXT DAY CANAS DENIED THE RESIGNATION STORY. HE SAID HE AGREED WITH THE MINISTER OF AGRICULTURE'S JUNE 16 ACTION OF REFERRING

THE WHOLE CASE TO THE STATE PROSECUTOR FOR INVESTIGATION AND PROSECUTION. END SUMMARY.

2. THE JUNE 18 SALVADORAN PRESS CARRIED THE FIRST PUBLIC REVELATION
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OF THE POSSIBLE SUBORNATION OF GOES OFFICIAL(S) IN CONNECTION WITH

THE DISPUTED SALE OF \$2 MILLION OF CORN TO SALVADOR BY THE US BASED KANSAS GRAIN COMPANY. THE FIRST NEWS STORY WAS FRAMED IN TERMS THAT DR. GUSTAVO RUDOLFO CANAS VIANA, EXECUTIVE MANAGING DIRECTOR OF THE IRA (PRICE STABILIZATION INSTITUTE FOR FOODSTUFFS.) HAD OFFERED HIS RESIGNATION TO THE MINISTER OF AGRICULTURE "LATE LAST WEEK." THE MINISTER REPORTEDLY HAD ACCEPTED THE OFFER. THIS FIRST STORY LINKED THE RESIGNATION TO REPORTS FROM THE UNITED STATES THAT JOSEPH TUCKER, PRESIDENT OF THE KANSAS GRAIN CO., HAD CLAIMED IN A MIAMI COURT THAT HIS COMPANY HAD BEEN APPROACHED BY A HIGH IRA OFFICIAL WHO SOLICITED AND WAS PAID A \$15,000 BRIBE IN RETURN FOR ACCEPTANCE OF LOWER GRADE GRAIN IN PLACE OF THAT ORIGINALLY

CONTRACTED FOR. THE OFFICIAL'S NAME WAS NOT GIVEN. THE STORIES ALSO SAID THAT MINAG COL. ROBERTO ESCOBAR GARCIA HAD ASKED THE GOVERNMENT PROSECUTOR'S OFFICE TO INVESTIGATE TUCKER'S CLAIM, FIX RESPONSIBILITY AND BRING CHARGES IF ANY IRA EMPLOYEE WAS INVOLVED IN BRIBERY.

3 THE JUNE 19 PAPERS CARRIED A DENIAL BY CANAS THAT HE HAD RESIGNED; IN A PRESS CONFERENCE HE SAID HE AGREED WITH THE MINISTER THAT THE KANSAS GRAIN ACCUSATION SHOULD BE THOROUGHLY INVESTIGATED BY THE STATE PROSECUTOR, AND CHARGES BROUGHT AGAINST ANYONE IMPLICATED. CANAS SAID THAT FOR MOST OF MAY HE HAD BEEN OUT OF THE COUNTRY, ON A SERIES OF OFFICIAL MISSIONS, AND THAT HE WAS ONLY NOW RETURNING TO THE OFFICE. HE CATEGORICALLY DENIED HAVING RESIGNED.

4. COMMENT - THE DEPARTMENT (CEN/ARA) IS AWARE OF THE MIAMI COURT CASE IN WHICH THE GOES IS SEEKING AN INJUNCTION TO CANCEL ITS OBLIGATION TO PAY THE KANSAS GRAIN CO. FOR WHAT THE GOES CLAIMS TO BE CORN THAT DOES NOT MEET THE ORIGINAL CONTRACT SPECIFICATIONS, NEITHER IN QUALITY (CLAIMED TO HAVE SHIPPED GRADES 2 AND 3 INSTEAD OF ONE) NOR COUNTRY OF ORIGIN (CLAIMED TO BE SOUTH AFRICAN INSTEAD OF US, AND POSSIBLY INFESTED WITH A CONTAMINATING RUST WHICH WOULD THREATEN SALVADOR'S ALL-IMPORTANT COFFEE CROP). THE SHIP TRANSPORTING THE CORN REMAINS ANCHORED OFF THE PORT OF ACAJUTLA SINCE THE GOES WILL NOT PERMIT IT TO UNLOAD ITS "UNACCEPTABLE" SHIPMENT.

5. EXTREMELY RELIABLE HIGH GOES SOURCE, WITH FULL KNOWLEDGE
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OF CASE, DISCUSSED THIS DISPUTE WITH THE AMBASSADOR ON JUNE 17. HE SAID THE GOES HAD JUST BEEN INFORMED THAT THE COURT HAD DENIED AN EXTENSION OF ITS ORIGINAL INJUNCTION. SOURCE SAID THIS WAS BECAUSE THE IRA, THE PURCHASING AGENT FOR THE GOES, "DOES NOT HAVE CLEAN HANDS." HE WENT ON TO SAY THAT HE UNDERSTOOD THAT A HIGH IRA OFFICIAL HAD ACCEPTED A \$15,000 BRIBE FROM KANSAS GRAIN, AFTER REFUSING FIRST OFFERS OF \$5,000 AND \$10,000. HE SAID HE UNDERSTOOD THE KANSAS GRAIN CO.'S CLAIM WAS THAT THE

GOES IS FULLY OBLIGATED TO ACCEPT AND PAY FOR THE CORN SINCE ITS DESIGNATED AGENT HAD APPROVED THE DISPUTED CONTRACT MODIFICATIONS ON BEHALF OF THE GOES PRIOR TO SHIPMENT. THE SOURCE ADDED THAT A SECOND, LOWER LEVEL, OFFICIAL HAD APPARENTLY ACCEPTED A \$500 BRIBE ON THIS SAME DEAL, TO CERTIFY THE CORN UPON ARRIVAL AS MEETING CONTRACT SPECIFICATIONS. HE SAID THE GOES PLANNED TO TAKE IMMEDIATE ACTION TO PROSECUTE THESE IRA OFFICIALS. HE IDENTIFIED THE RECIPIENT OF THE \$15,000 SUBORNATION AS THE IRA SUB-DIRECTOR OF PURCHASES (FNU) MONTOYA.

6. THE GOES IS IN AN OBVIOUS DILEMMA ON HOW TO HANDLE THIS MESSY AFFAIR. FIRST IT WANTS TO WIN ITS CASE AGAINST KANSAS GRAIN CO. TO DO SO IT MUST DEMONSTRATE CONCLUSIVELY THAT ITS AGENT, IF HE ACCEPTED A BRIBE TO CHANGE THE CONDITIONS OF CONTACT COMPLIANCE, DID SO WHILE UNDER THE INFLUENCE OF SUBORNATION, AND NOT ON INSTRUCTIONS OR AUTHORIZATION OF THE GOES. THE CLAIM WOULD PRESUMABLY FOLLOW THAT THE AGENT WAS THUS NOT ACTING OFFICIALLY ON BEHALF OF GOES. TO PROVE ITS POINT, THE GOES MUST EXPOSE AND PROSECUTE THAT OFFICIAL. THE OTHER HORN OF THE DILEMMA IS THAT THE GOES IS UNDER INCREASING POLITICAL PRESSURE FROM OPPOSITION GROUPS AS A RESULT OF OTHER CHARGES OF CORRUPT PRACTICES BY HIGH GOES OFFICIALS. THESE OTHER CHARGES HAVE REMAINED UNSUBSTANTIATED BY THE COURTS, THOUGH THEY ARE ALMOST UNIVERSALLY ACCEPTED AS HAVING TAKEN PLACE. THE RECENT DISMISSAL OF INSAFI PRESIDENT MAJOR GUILLERMO ROEDER WAS ONLY THE MOST NOTORIOUS. FOR THE GOES TO PURSUE AND PROSECUTE ONE OF ITS OFFICIALS IN THE GRAIN CASE, IT MUST PUBLICLY ADMIT TO HARBORING A CORRUPT OFFICIAL AND THUS ADD CREDENCE TO ONE OF THE OPPOSITION'S PRINCIPAL POLITICAL CAMPAIGN ACCUSATIONS. THE MINAG'S REFERRAL OF THIS TO THE STATE PROSECUTOR SEEMS TO INDICATE THAT THE GOES HAD DECIDED IT HAS MORE TO GAIN BY EXPOSURE AND PROSECUTION OF THE CULPRIT. AS THE MINAG TOLD THE PRESS WHEN HE ANNOUNCED REFERRAL TO THE PROSECUTOR, HE CONFIDENTIAL

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WAS ONLY COMPLYING WITH PRESIDENT MOLINA'S INAUGURAL ADDRESS PROMISE TO PROSECUTE ANY DISHONEST PUBLIC OFFICIAL "NO MATTER HIS PROFESSION OR POSITION."
CAMPBELL

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NNN

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